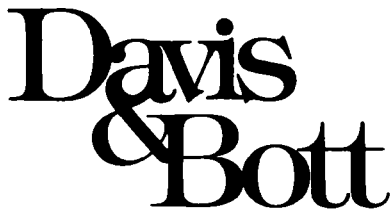


Corinne City Corporation
June 30, 2006

Table of Contents

	<u>Page No.</u>
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis (Unaudited)	3 - 10
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet - Government Fund	13
Reconciliation of the Balance Sheet of the Governmental Fund to the Statement of Net Assets ...	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Fund	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Fund to the Statement of Activities ...	16
Statement of Net Assets - Proprietary Funds	17
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	18
Statement of Cash Flows - Proprietary Funds	19 - 20
Notes to the Financial Statements	21 - 33
Required Supplementary Information:	
Budgetary Comparison Schedule (Unaudited):	
General Fund	34
Supplementary Information:	
Impact Fee Analysis.....	35
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards.....	36 - 37
Independent Auditors' Report on State of Utah Legal Compliance.....	38 - 39



Certified Public Accountants, L.C.

547 South Main
P.O. Box 369
Brigham City, Utah 84302
435-723-5224

216 East Main
Tremonton, Utah 84337
435-257-5486

The Honorable Mayor and
Members of the Corinne City Council
Corinne City Corporation
Corinne City, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund, and the aggregate remaining fund information of Corinne, Utah, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Corinne City Corporation, Utah. Our responsibility is to express opinions on these financial statements based on our audit.

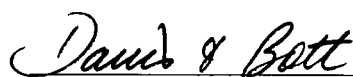
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, and the aggregate remaining fund information of Corinne, Utah, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Independent Auditors' Report
Corinne City Corporation

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2005, on our consideration of Corinne, Utah's, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10, and on page 34, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Davis & Bott

Certified Public Accountants, L.C.

October 9, 2006

Corinne City Corporation
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2006

As management of Corinne City Corporation, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2006. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

FINANCIAL HIGHLIGHTS

- A. The assets of the City exceeded its liabilities at June 30, 2006, by \$1,643,066. Of this amount, unrestricted net assets of \$236,328 were available to be used to meet the City's ongoing obligations to citizens and creditors.
- B. The total net assets increased by \$255,380 over the prior fiscal year. Of this amount, an increase of \$255,075 was associated with governmental activities and an increase of \$305 was associated with business-type activities.
- C. As of the close of the fiscal year ended June 30, 2006, the City's general fund reported an ending fund balance of \$158,889, an increase of \$67,997 in comparison with the prior fiscal year. Of this amount, \$69,204 was reserved for B&C road projects and \$89,685 was unreserved and available for spending, and represented 39 percent of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

Corinne City Corporation
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2006

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, roads, parks and cemetery. The business-type activities of the City consist of water, sewer, garbage and irrigation.

The government-wide financial statements include only the City itself (known as the primary government). There are no component units that should be reported in the City's financial statements.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental and proprietary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Corinne City Corporation
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2006

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions.

Both the governmental fund balance sheet and the government fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The City maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures and changes in fund balances for the general and capital projects funds. The City considers the general and capital projects funds to be major funds.

The City adopts a one-year budget for its governmental funds. A budgetary comparison statement has been provided.

Proprietary Funds. The City maintains only one type of proprietary fund, namely, enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Information is presented in the proprietary statement of net assets and the proprietary statement of revenues, expenses and changes in fund net assets for the water, sewer, garbage and irrigation funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At June 30, 2006, the City's assets exceeded liabilities by \$1,643,066. By far the largest portion of the City's net assets (81 percent) reflects its investment in capital assets. Capital assets are used to provide services to citizens and they are not available for future spending.

Corinne City Corporation
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2006

Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 294,699	\$ 281,632	\$ 70,503	\$ 136,647	\$ 365,202	\$ 418,279
Capital assets	<u>334,207</u>	<u>91,314</u>	<u>1,093,213</u>	<u>1,065,619</u>	<u>1,427,420</u>	<u>1,156,933</u>
Total assets	<u>628,906</u>	<u>372,946</u>	<u>1,163,716</u>	<u>1,202,266</u>	<u>1,792,622</u>	<u>1,575,212</u>
Long-term liabilities outstanding	-	-	83,312	119,395	83,312	119,395
Other liabilities	<u>56,569</u>	<u>12,657</u>	<u>9,675</u>	<u>12,447</u>	<u>66,244</u>	<u>25,104</u>
Total liabilities	<u>56,569</u>	<u>12,657</u>	<u>92,987</u>	<u>131,842</u>	<u>149,556</u>	<u>144,499</u>
Net assets:						
Investment in capital assets, net of related debt	334,207	91,314	1,003,705	946,224	1,337,912	1,037,538
Restricted	68,826	68,761	-	38,577	68,826	107,338
Unrestricted	<u>169,304</u>	<u>200,214</u>	<u>67,024</u>	<u>85,623</u>	<u>236,328</u>	<u>285,837</u>
Total net assets	<u>\$ 572,337</u>	<u>\$ 360,289</u>	<u>\$ 1,070,729</u>	<u>\$ 1,070,424</u>	<u>\$ 1,643,066</u>	<u>\$ 1,430,713</u>

Unrestricted net assets of \$236,328 (14 percent) were available to be used to meet the City's ongoing obligations to citizens and creditors. At June 30, 2006, the City was able to report positive balances in both categories of net assets, both for the government as a whole, as well as for its individual governmental and business-type activities.

Corinne City Corporation
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2006

Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues:						
Program revenues:						
Charges for services	\$ 67,117	\$ 29,062	\$ 157,101	\$ 127,099	\$ 224,218	\$ 156,161
Operating grants and contributions	44,379	38,304	26,569	-	70,948	38,304
Capital grants and contributions	192,387				192,387	
General revenues:						
Property taxes	44,272	39,372	-	-	44,272	39,372
Other taxes	139,794	120,606	-	-	139,794	120,606
Interest income	2,136	1,689	-	283	2,136	1,972
Total revenues	<u>490,085</u>	<u>229,033</u>	<u>183,670</u>	<u>127,382</u>	<u>673,755</u>	<u>356,415</u>
Expenses:						
General government	116,571	160,595	-	-	116,571	160,595
Public safety	105,625	3,364	-	-	105,625	3,364
Highways and public improvements	18,513	13,247	-	-	18,513	13,247
Parks and recreation	8,301	12,207	-	-	8,301	12,207
Water utility	-	-	72,840		72,840	
Irrigation utility	-	-	5,685	-	5,685	-
Sewer utility	-	-	63,363	128,038	63,363	128,038
Garbage utility	-	-	27,477	-	27,477	-
Total expenses	<u>249,010</u>	<u>189,413</u>	<u>169,365</u>	<u>128,038</u>	<u>418,375</u>	<u>317,451</u>
Transfer in (out)	14,000	90,000	(14,000)	(90,000)	-	-
Impact fees	-	-	-	3,200	-	3,200
Interest expense	-	-	-	(4,491)	-	(4,491)
	<u>14,000</u>	<u>90,000</u>	<u>(14,000)</u>	<u>(91,291)</u>	<u>-</u>	<u>(1,291)</u>
Increase (decrease) in net assets	255,075	129,620	305	(91,947)	255,380	37,673
Net assets, beginning	360,289	230,669	1,070,424	1,162,371	1,430,713	1,393,040
Prior period adjustment	<u>(43,027)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(43,027)</u>	<u>-</u>
Net assets, ending	<u>\$ 572,337</u>	<u>\$ 360,289</u>	<u>\$ 1,070,729</u>	<u>\$ 1,070,424</u>	<u>\$ 1,643,066</u>	<u>\$ 1,430,713</u>

Corinne City Corporation
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2006

Governmental and Business-Type Activities. Governmental activities increased the City's net assets by \$255,075. When combined with the \$305 increase in net assets from business-type activities, overall net assets increased by \$255,380, or 18 percent.

The increase in governmental net assets was mainly due to a grant for a new fire truck.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Government Funds. The purpose of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the City's chief operating fund. At June 30, 2006, the unreserved fund balance of the general fund was \$89,685, which comprised 56 percent of the total fund balance. The remaining general fund balance of \$69,204 was restricted for B&C road uses. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. The unreserved general fund balance represented 39 percent of total general fund expenditures. The fund balance of the City's general fund increased by \$67,997 during the fiscal year ended June 30, 2006. This increase was mainly due to excess revenues over expenditures.

The capital projects fund decreased mainly because of a fire truck purchased for public safety.

The water utility fund's net assets increased by \$13,507.

The sewer utility fund's net assets decreased by \$20,550.

The garbage fund's net assets increased by \$4,070.

The irrigation utility fund's net assets increased by \$3,278.

Corinne City Corporation
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2006

GENERAL FUND BUDGETARY HIGHLIGHTS

The budget originally submitted for the fiscal year ending June 30, 2006, was modified to increase the budget for various additional revenues. The expenditures budget was increased for highways and public improvements.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. At June 30, 2006, the City's investment in capital assets for its governmental and business-type activities amounted to \$1,427,420 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, service lines, equipment, roads and similar infrastructure. The total increase in the City's investment in capital assets for the fiscal year ended June 30, 2006, was \$270,489 (a City-wide increase of 23 percent).

Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 18,965	\$18,965	\$ 10,710	\$ 10,710	\$ 29,675	\$ 29,675
Buildings	42,528	24,114	3,748	4,281	46,276	28,395
Utility improvements	1,780	-	1,074,432	1,047,766	1,076,212	1,047,766
Machinery and equipment	<u>270,934</u>	<u>48,234</u>	<u>4,323</u>	<u>2,861</u>	<u>275,257</u>	<u>51,095</u>
Net capital assets	<u>\$ 334,207</u>	<u>\$ 91,313</u>	<u>\$ 1,093,213</u>	<u>\$ 1,065,618</u>	<u>\$ 1,427,420</u>	<u>\$ 1,156,931</u>

Additional information on the City's capital assets can be found in Note 3 on pages 29 and 30 of this report.

Corinne City Corporation
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2006

Long-term debt. At June 30, 2006, the City had \$89,508 in outstanding revenue bonds.

Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Water revenue bonds	\$ -	\$ -	\$89,508	\$ 95,465	\$89,508	\$ 95,465
Sewer revenue bonds	-	-	-	23,930	-	23,930
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 89,508</u>	<u>\$ 119,395</u>	<u>\$ 89,508</u>	<u>\$ 119,395</u>

Total long-term debt decreased by \$29,887 for the year ended June 30, 2006.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Corinne City Corporation is in the process of determining how to meet the increased demand for sewer system hookups. The City received a C.D.B.G. grant for \$6,465 to begin construction on the sewer lift station, which will make additional hookups possible.

The City received a sewer system feasibility study from Hansen & Associates and was also in the process of considering various sewer system options. The previous moratorium on number of hookups allowed to the sewer system was lifted. Additionally, the City was in the process of eliminating surface water infiltration into the system. Val Kotter & Sons, Inc. will be repairing the water infiltration problems beginning in October, 2006.

The City will enter into a \$326,000 water bond at 10:00 a.m. on October 31, 2006, to replace the 2" water line with an 8" water line and also to strategically add fire hydrants along the line.

The City also has plans to work on improving the irrigation ditch. Consideration is being given to ways of improving the main ditch and increasing the effectiveness of distribution throughout the City. Improvements will be paid for from the irrigation fund. The City is seeking assistance from Utah State University with this project.

Corinne City Corporation
Statement of Net Assets
June 30, 2006

	Primary Government		
	<u>Governmental</u>	<u>Business-Type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$223,309	\$ 19,700	\$ 243,009
Accounts receivable - net	67	13,375	13,442
Franchise taxes receivable	4,375		4,375
Intergovernmental receivables	66,948	-	66,948
Restricted cash and cash equivalents	-	31,428	31,428
Investment in water stock	-	6,000	6,000
Capital assets (net of accumulated depreciation)			
Land	18,965	10,710	29,675
Buildings	42,528	3,748	46,276
Improvements	1,780	1,074,432	1,076,212
Machinery and equipment	<u>270,934</u>	<u>4,323</u>	<u>275,257</u>
Total assets	<u>628,906</u>	<u>1,163,716</u>	<u>1,792,622</u>
LIABILITIES			
Accounts payable and accrued liabilities	17,408	3,479	20,887
Deferred revenue	39,161	-	39,161
Loan payable revenue bonds - current	-	6,196	6,196
Loan payable revenue bonds - noncurrent	<u>-</u>	<u>83,312</u>	<u>83,312</u>
Total liabilities	<u>56,569</u>	<u>92,987</u>	<u>149,556</u>
NET ASSETS			
Invested in capital assets, net of related debt	334,207	1,003,705	1,337,912
Restricted for:			
Class "C" roads	68,826	-	68,826
Unrestricted	<u>169,304</u>	<u>67,024</u>	<u>236,328</u>
Total net assets	<u>\$572,337</u>	<u>\$1,070,729</u>	<u>\$1,643,066</u>

The accompanying notes are an integral part of these statements

Corinne City Corporation
Statement of Activities
For the Year Ended June 30, 2006

Function/Program	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Business-Type Activities	
					Governmental Activities	Total
Governmental activities:						
General government	\$ 116,571	\$ 2,910	\$ -	\$ -	\$ (113,661)	\$ (113,661)
Public safety	105,625	62,697	845	192,387	150,304	150,304
Highways and public improvements	18,513	-	43,534	-	25,021	25,021
Parks and recreation	8,301	1,510	-	-	(6,791)	(6,791)
	<u>249,010</u>	<u>67,117</u>	<u>44,379</u>	<u>192,387</u>	<u>54,873</u>	<u>54,873</u>
Business-type activities:						
Water utility	72,840	84,887	15,460	-	-	27,507
Sewer utility	63,363	31,704	11,109	-	(20,550)	(20,550)
Garbage utility	27,477	31,547	-	-	4,070	3,278
Irrigation utility	5,685	8,963	-	-	3,278	10,235
	<u>169,365</u>	<u>157,101</u>	<u>26,569</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary governmental activities	<u>\$ 418,375</u>	<u>\$ 224,218</u>	<u>\$ 70,948</u>	<u>\$ 192,387</u>	<u>54,873</u>	<u>65,108</u>
General revenues:						
Taxes:						
Property taxes					44,272	44,272
General sales and use taxes					84,465	84,465
Franchise and energy tax					55,329	55,329
Unrestricted investment earnings					2,136	2,136
Transfers in (out)					<u>14,000</u>	<u>(14,000)</u>
Total general revenues and transfers					<u>200,202</u>	<u>186,202</u>
Change in net assets					<u>255,075</u>	<u>255,380</u>
Net assets, beginning					<u>360,289</u>	<u>1,430,713</u>
Prior period adjustment					<u>(43,027)</u>	<u>(43,027)</u>
Net assets, ending					<u>\$ 572,337</u>	<u>\$ 1,643,066</u>

The accompanying notes are an integral part of these statements.

Corinne City Corporation
Balance Sheet - Governmental Funds
June 30, 2006

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$144,068	\$79,241	\$223,309
Receivables (net):			
Accounts receivable	67	-	67
Franchise taxes receivable	4,375	-	4,375
Intergovernmental			
Property tax	39,161	-	39,161
Sales tax	18,603	-	18,603
Class "C" road money	9,184	-	9,184
Total assets	<u>\$215,458</u>	<u>\$79,241</u>	<u>\$294,699</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 17,408	\$ -	\$ 17,408
Deferred revenue	39,161	-	39,161
Total liabilities	<u>56,569</u>	<u>-</u>	<u>56,569</u>
Fund balances:			
Reserved for:			
Class B&C road projects	69,204	-	69,204
Unreserved	89,685	79,241	168,926
Total fund balances	<u>158,889</u>	<u>79,241</u>	<u>238,130</u>
Total liabilities and fund balances	<u>\$215,458</u>	<u>\$79,241</u>	<u>\$294,699</u>

The accompanying notes are an integral part of these statements.

Corinne City Corporation
Reconciliation of the Balance Sheet of the Governmental
Funds to the Statement of Net Assets
June 30, 2006

Total fund balances - governmental fund types	\$ 238,130
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>334,207</u>
Net assets of government activities	<u>\$ 572,337</u>

The accompanying notes are an integral part of these statements.

Corinne City Corporation
Statement of Revenues, Expenditures and Changes in Fund
Balances - Governmental Funds
For the Year Ended June 30, 2006

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues:			
Taxes			
Property	\$ 44,272	\$ -	\$ 44,272
Sales & Use	84,465		84,465
Franchise & energy	55,329		55,329
Licenses and permits	48,434	-	48,434
Intergovernmental	58,858	177,908	236,766
Charges for services	16,136	-	16,136
Earnings on investments	2,136	-	2,136
Miscellaneous	2,547	-	2,547
Total revenues	<u>312,177</u>	<u>177,908</u>	<u>490,085</u>
Expenditures:			
Current:			
General government	113,158	-	113,158
Public safety	83,786	252,144	335,930
Highways and public improvements	29,770	-	29,770
Parks and recreation	3,466	9,580	13,046
Total expenditures	<u>230,180</u>	<u>261,724</u>	<u>491,904</u>
Excess (deficiency) of revenues over expenditures	81,997	(83,816)	(1,819)
Other financing sources (uses):			
Transfers in (out)	<u>(14,000)</u>	<u>28,000</u>	<u>14,000</u>
Net change in fund balance	67,997	(55,816)	12,181
Fund balance, beginning	<u>90,892</u>	<u>135,057</u>	<u>225,949</u>
Fund balance, end	<u>\$158,889</u>	<u>\$ 79,241</u>	<u>\$238,130</u>

The accompanying notes are an integral part of these statements.

Corinne City Corporation
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of the Governmental Funds to
the Statement of Activities
June 30, 2006

Amounts reported for governmental
activities in the statement of
activities are different because:

Net changes in fund balances - total governmental funds	\$ 12,181
--	-----------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	<u>242,894</u>
---	----------------

Change in net assets of govern- mental activities	<u>\$ 255,075</u>
--	-------------------

The accompanying notes are an integral part of these statements.

Corinne City Corporation
Statement of Net Assets - Proprietary Funds
June 30, 2006

	Business-Type Activities - Enterprise Funds				
	Water Utility	Sewer Utility	Garbage Fund	Other Fund	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 5,826	\$ 11,174	\$2,700	\$ -	\$ 19,700
Accounts receivable - net	8,029	2,605	2,741	-	13,375
Interfund receivable	978	-	-	-	978
Total current assets	<u>14,833</u>	<u>13,779</u>	<u>5,441</u>	<u>-</u>	<u>34,053</u>
Noncurrent assets:					
Restricted cash and cash equivalents	31,428	-	-	-	31,428
Water company stock	-	-	-	6,000	6,000
Capital assets:					
Land and easements	9,093	1,618			10,711
Buildings and improvements	981,691	658,189	-	26,537	1,666,417
Equipment	10,228	13,644	-	3,144	27,016
Accumulated depreciation	(369,844)	(234,782)	-	(6,305)	(610,931)
Total noncurrent assets	<u>662,596</u>	<u>438,669</u>	<u>-</u>	<u>29,376</u>	<u>1,130,641</u>
Total assets	<u>677,429</u>	<u>452,448</u>	<u>5,441</u>	<u>29,376</u>	<u>1,164,694</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	872	933	1,509	165	3,479
Interfund payable	-	-	-	978	978
Current portion of long-term debt	6,196	-	-	-	6,196
Total current liabilities	<u>7,068</u>	<u>933</u>	<u>1,509</u>	<u>1,143</u>	<u>10,653</u>
Noncurrent liabilities:					
Loan payable revenue bonds	<u>83,312</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>83,312</u>
Total liabilities	<u>90,380</u>	<u>933</u>	<u>1,509</u>	<u>1,143</u>	<u>93,965</u>
Net assets:					
Invested in capital assets, net of related debt	541,660	438,669	-	23,376	1,003,705
Restricted					
Unrestricted	<u>45,389</u>	<u>12,846</u>	<u>3,932</u>	<u>4,857</u>	<u>67,024</u>
Total net assets	<u>\$ 587,049</u>	<u>\$ 451,515</u>	<u>\$3,932</u>	<u>\$28,233</u>	<u>\$1,070,729</u>

The accompanying notes are an integral part of these statements.

Corinne City Corporation
Statement of Revenues, Expenses and Changes in Fund
Net Assets - Proprietary Funds
For the Year Ended June 30, 2006

	Business-Type Activities - Enterprise Funds				
	Water Utility	Sewer Utility	Garbage Fund	Other Fund	Total
Operating revenues:					
Charges for services	\$ 84,842	\$ 31,704	\$31,547	\$ 8,963	\$ 157,056
Other	45	-	-	-	45
Total operating revenues	<u>84,887</u>	<u>31,704</u>	<u>31,547</u>	<u>8,963</u>	<u>157,101</u>
Operating expenses:					
Wages and benefits	24,812	8,271	-	-	33,083
Supplies and services	19,998	37,339	27,477	4,825	89,639
Depreciation	24,581	16,476	-	860	41,917
Total operating expenses	<u>69,391</u>	<u>62,086</u>	<u>27,477</u>	<u>5,685</u>	<u>164,639</u>
Operating income	<u>15,496</u>	<u>(30,382)</u>	<u>4,070</u>	<u>3,278</u>	<u>(7,538)</u>
Nonoperating revenues (expenses):					
Impact fee revenue	15,460	11,109	-	-	26,569
Interest expense	(3,449)	(1,277)	-	-	(4,726)
Total nonoperating revenues (expenses)	<u>12,011</u>	<u>9,832</u>	<u>-</u>	<u>-</u>	<u>21,843</u>
Income (loss) before transfers	27,507	(20,550)	4,070	3,278	14,305
Transfers in (out)	<u>(14,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,000)</u>
Change in net assets	13,507	(20,550)	4,070	3,278	305
Total net assets, beginning	<u>573,542</u>	<u>472,065</u>	<u>(138)</u>	<u>24,955</u>	<u>1,070,424</u>
Total net assets, ending	<u>\$587,049</u>	<u>\$451,515</u>	<u>\$ 3,932</u>	<u>\$28,233</u>	<u>\$1,070,729</u>

The accompanying notes are an integral part of these statements.

Corinne City Corporation
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2006

	Business-Type Activities - Enterprise Funds				
	Water <u>Utility</u>	Sewer <u>Utility</u>	Garbage <u>Fund</u>	Other <u>Fund</u>	<u>Total</u>
Receipts from customers	\$ 79,866	\$ 31,036	\$ 31,429	\$ 9,055	\$151,386
Payments to suppliers	(22,191)	(37,625)	(29,212)	(5,579)	(94,607)
Payments to employees	(24,812)	(8,271)	-	-	(33,083)
Net cash provided by (used in) operating activities	<u>32,863</u>	<u>(14,860)</u>	<u>2,217</u>	<u>3,476</u>	<u>23,696</u>
Cash flows from noncapital financing activities:					
Interfund loan repayments	3,020	-	-	(3,020)	-
Transfers in (out)	(14,000)	-	-	-	(14,000)
Net cash provided by (used in) financing activities	<u>(10,980)</u>	<u>-</u>	<u>-</u>	<u>(3,020)</u>	<u>(14,000)</u>
Cash flows from capital and related financing activities:					
Purchases of capital assets	(33,358)	(33,860)	-	(2,294)	(69,512)
Principal paid on capital debt	(5,957)	(23,930)	-	-	(29,887)
Proceeds from impact fees	15,460	11,109	-	-	26,569
Interest paid on capital debt	(3,448)	(1,277)	-	-	(4,725)
Net cash provided by (used in) capital and related financing activities	<u>(27,303)</u>	<u>(47,958)</u>	<u>-</u>	<u>(2,294)</u>	<u>(77,555)</u>
Cash and cash equivalents, beginning	<u>42,674</u>	<u>73,992</u>	<u>483</u>	<u>1,838</u>	<u>118,987</u>
Cash and cash equivalents, ending	<u>\$ 37,254</u>	<u>\$ 11,174</u>	<u>\$ 2,700</u>	<u>\$ -</u>	<u>\$ 51,128</u>

The accompanying notes are an integral part of these statements.

Corinne City Corporation
Statement of Cash Flows - Proprietary Funds (Continued)
For the Year Ended June 30, 2006

	Business-Type Activities - Enterprise Funds				
	<u>Water</u> <u>Utility</u>	<u>Sewer</u> <u>Utility</u>	<u>Garbage</u> <u>Fund</u>	<u>Other</u> <u>Fund</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:					
Operating income	\$ 15,496	\$ (30,382)	\$ 4,070	\$ 3,278	\$ (7,538)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation expense	24,581	16,476	-	860	41,917
(Increase)/decrease in accounts receivable	(5,021)	(668)	(118)	92	(5,715)
Increase (decrease) in payable payable	(2,193)	(286)	(1,735)	(754)	(4,968)
Increase (decrease) in deferred revenue	-	-	-	-	-
Total adjustments	<u>17,367</u>	<u>15,522</u>	<u>(1,853)</u>	<u>198</u>	<u>31,234</u>
Net cash provided by (used in) operating activities	<u>\$ 32,863</u>	<u>\$ (14,860)</u>	<u>\$ 2,217</u>	<u>\$ 3,476</u>	<u>\$ 23,696</u>
Cash and cash equivalents	\$ 5,826	\$ 11,174	\$ 2,700	\$ -	\$ 19,700
Restricted cash and cash equivalents	<u>31,428</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,428</u>
Total cash and cash equivalents	<u>\$ 37,254</u>	<u>\$ 11,174</u>	<u>\$ 2,700</u>	<u>\$ -</u>	<u>\$ 51,128</u>

The accompanying notes are an integral part of these statements.

Corinne City Corporation
Notes to Financial Statements
June 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The government of Corinne City Corporation is governed by an elected mayor and a five member council. As required by generally accepted accounting principles, these financial statements present the financial condition of the government. Corinne City Corporation is not a component unit of any other entity, nor does it have any component units for which the Government would be considered financially accountable.

B. Government-Wide and Fund Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or segment.

Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental and proprietary funds. All individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

See Independent Auditors' Report

Corinne City Corporation
Notes to Financial Statements (Continued)
June 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statement rather than reported as an expenditure.

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The government has the following fund types:

Governmental funds are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable" and "available").

"Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred.

See Independent Auditors' Report

Corinne City Corporation
Notes to Financial Statements (Continued)
June 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental funds include the following fund types:

The **general fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **capital projects funds** account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.

Proprietary funds are accounted for on the flow of economic resources, measurement focus and use of accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers to the system.

Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

See Independent Auditors' Report

Corinne City Corporation
Notes to Financial Statements (Continued)
June 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The City has four proprietary funds - the water utility fund, the sewer utility fund, the garbage utility fund and the irrigation utility fund.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. *Cash and Investments*

The government's restricted and unrestricted cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with the original maturities of three months or less from the date of acquisition.

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds" if they are not projected to be repaid within one year, and as "interfund receivable/payable" for amounts projected to be repaid within one year.

3. *Capital Assets*

Capital assets used in governmental fund type operations are accounted for in the governmental activities column in the statement of net assets, but not in governmental funds. Governmental capital assets consisting of certain improvements other than buildings, including roads, bridges, streets, drainage systems, lighting system, and some roads placed in service prior to June 30, 2003, have not been capitalized.

See Independent Auditors' Report

Corinne City Corporation
Notes to Financial Statements (Continued)
June 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

Depreciation of all exhaustible capital assets is charged as an expense against its operations in the government-wide financial statements and the proprietary fund financial statements. Accumulated depreciation is reported on the government-wide and proprietary fund statements of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	25 - 50 years
Improvements	7 - 50 years
Equipment	3 - 20 years
Infrastructure	15 - 40 years

4. *Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Budget and Budgetary Accounting

The City follows the budget and budgetary accounting procedures established by Utah law and described in the Uniform Accounting Manual for Utah Cities and Towns. The current year budget was amended according to Utah law.

See Independent Auditors' Report

Corinne City Corporation
Notes to Financial Statements (Continued)
June 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Restricted Net Assets

Net assets have been restricted for B&C road purposes. The B&C road restriction represents funds received from the State of Utah Road Fund allotment to be used for future maintenance of the City's road network.

NOTE 2. DEPOSITS AND INVESTMENTS

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state, and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The City follows the requirements of the Utah Money Management Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the deposit of the City's funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

A. Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk. As of June 30, 2006, \$179,080 of the City's bank balances of \$279,080 was uninsured and uncollateralized.

See Independent Auditors' Report

Corinne City Corporation
Notes to Financial Statements (Continued)
June 30, 2006

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

B. Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the City's funds and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers or directly with issuers of the investment securities.

These statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes and bonds; bonds, notes and other evidence of indebtedness of political subdivisions of the state; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Money Management Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF, and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

See Independent Auditors' Report

Corinne City Corporation
Notes to Financial Statements (Continued)
June 30, 2006

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses - net of administration fees - of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2006, the City had no investments.

C. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Money Management Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits and fixed rate corporate obligations to 270 to 365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding two years.

D. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act, as previously discussed.

At June 30, 2006, the City had no investments.

E. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council, as applicable.

See Independent Auditors' Report

Corinne City Corporation
Notes to Financial Statements (Continued)
June 30, 2006

NOTE 3. CAPITAL ASSETS

The following is a summary of changes in capital assets during the fiscal year:

Governmental Activities:

	June 30, 2005 <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	June 30, 2006 <u>Balance</u>
Capital assets not being depreciated:				
Land	\$ 18,965	\$ -	\$ -	\$ 18,965
Capital assets being depreciated:				
Buildings	125,933	-	-	125,933
Improvements	2,967	-	-	2,967
Machinery and equipment	80,475	277,200	-	357,675
Totals at historical cost	<u>209,375</u>	<u>277,200</u>	<u>-</u>	<u>486,575</u>
Less accumulated depreciation:				
Buildings	77,954	5,451	-	83,405
Improvements	989	198	-	1,187
Machinery and equipment	58,084	28,657	-	86,741
Total accumulated depreciation	<u>137,027</u>	<u>34,306</u>	<u>-</u>	<u>171,333</u>
Total capital assets being depreciated, net	<u>72,348</u>	<u>242,894</u>	<u>-</u>	<u>315,242</u>
Governmental activities capital assets - net	<u>\$ 91,313</u>	<u>\$242,894</u>	<u>\$ -</u>	<u>\$ 334,207</u>

See Independent Auditors' Report

Corinne City Corporation
Notes to Financial Statements (Continued)
June 30, 2006

NOTE 3. CAPITAL ASSETS (continued)

Business-Type Activities:

	June 30, 2005			June 30, 2006
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Capital assets not being depreciated:				
Land	\$ 10,710	\$ -	\$ -	\$ 10,710
Total capital assets not being depreciated	<u>10,710</u>	<u>-</u>	<u>-</u>	<u>10,710</u>
Capital assets being depreciated:				
Building and improvements	6,576			6,576
Utility improvements	1,594,799	67,218		1,662,017
Machinery and equipment	<u>22,546</u>	<u>2,294</u>	<u>-</u>	<u>24,840</u>
Total capital assets being depreciated	<u>1,623,921</u>	<u>69,512</u>	<u>-</u>	<u>1,693,433</u>
Less accumulated depreciation:				
Building and improvements	2,295	533	-	2,828
Utility improvements	547,033	40,552	-	587,585
Machinery and equipment	<u>19,685</u>	<u>832</u>	<u>-</u>	<u>20,517</u>
Total accumulated depreciation	<u>569,013</u>	<u>41,917</u>	<u>-</u>	<u>610,930</u>
Total capital assets being depreciated, net	<u>1,054,908</u>	<u>27,595</u>	<u>-</u>	<u>1,082,503</u>
Business-type activities capital assets - net	<u>\$1,065,618</u>	<u>\$ 27,595</u>	<u>\$ -</u>	<u>\$1,093,213</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 3,413
Public safety	23,616
Highways and public improvements	2,442
Parks and recreation	<u>4,835</u>

Total depreciation expense governmental activities	<u>\$ 34,306</u>
---	------------------

See Independent Auditors' Report

Corinne City Corporation
Notes to Financial Statements (Continued)
June 30, 2006

NOTE 4. LONG-TERM DEBT

Proprietary Fund

Revenue Bonds:

Water and sewer serial bonds in the amount of \$89,508, due in annual installments of \$9,435 including interest through June 30, 2015, and then \$7,399 through June 30, 2016, and then \$3,639 including interest through June 30, 2021.

	June 30, 2005 <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	June 30, 2006 <u>Balance</u>	<u>Current Portion</u>
Bonds payable:					
Sewer revenue bonds	\$ 23,930	\$ -	\$23,930	\$ -	\$ -
Water revenue bonds	<u>95,465</u>	<u>-</u>	<u>5,957</u>	<u>89,508</u>	<u>6,196</u>
Total long-term liabilities	<u>\$119,395</u>	<u>\$ -</u>	<u>\$29,887</u>	<u>\$89,508</u>	<u>\$6,196</u>

Debt Service Requirements:

The debt service requirements for the proprietary funds long-term debt at June 30, 2006, were as follows:

Year ending June 30:	<u>Business Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 6,196	\$ 3,239	\$ 9,435
2008	6,440	2,995	9,435
2009	6,706	2,729	9,435
2010	6,978	2,457	9,435
2011	7,263	2,173	9,436
2012-2016	38,998	6,144	45,142
2017-2021	<u>16,927</u>	<u>1,263</u>	<u>18,190</u>
Total	<u>\$ 89,508</u>	<u>\$ 21,000</u>	<u>\$ 110,508</u>

See Independent Auditors' Report

Corinne City Corporation
Notes to Financial Statements (Continued)
June 30, 2006

NOTE 5. INTERFUND BALANCES/TRANSFERS

Interfund balances consisted of the following at June 30, 2006:

	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Interfund receivable/payable	Water	Irrigation	<u>978</u>
			<u>\$ 978</u>

<u>Purpose</u>	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Purchase fire truck	Capital projects	General	\$14,000
Purchase fire truck	Capital projects	Water	<u>14,000</u>
			<u>\$28,000</u>

NOTE 6. RESTRICTED FUND BALANCE

Fund balance has been restricted for the following purpose:

Restricted for B&C road projects - money received from the State of Utah road fund allotment to be used for future maintenance of the City's road network.

NOTE 7. PROPERTY TAX

Property taxes attached as an enforceable lien on property as of January 1. Taxes are levied on June 15 and are due November 30. Property tax revenues are not recognized when levied because they are not expected to be collected within 60 days after the end of the current year. This policy meets the criteria of GASB. Property taxes received within thirty (30) days of year end are recognized as revenue at year end.

See Independent Auditors' Report

Corinne City Corporation
Notes to Financial Statements (Continued)
June 30, 2006

NOTE 8. RISK MANAGEMENT

Corinne City Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. All general liability, real property and all vehicles, including heavy equipment, are insured through the Utah Local Government Trust. Injuries to employees are insured through employees' workers compensation. Settled claims have not exceeded the City's insurance coverage for any of the past three years. For insured programs, there have been no significant reductions in insurance coverage.

NOTE 9. PRIOR PERIOD ADJUSTMENTS

In the fiscal year ended June 30, 2005, the government-wide statement included in revenue \$43,027 in property taxes that were not received within 60 days of the fiscal year end. This adjustment properly restates the government net assets as of July 1, 2005, the beginning of the new fiscal year. This item caused no changes in the governmental funds financial statements.

NOTE 10. LEASE

The City leases a backhoe on an annual, noncancelable operating lease. The City has always been able to turn in the old backhoe and pick up a new one the following year. This year, the City negotiated to keep the same backhoe one more year at a price of \$3,870. The City will negotiate the lease agreement again when the year is up.

Supplementary Information

Corinne City Corporation
Budgetary Comparison Schedule (Unaudited)
General Fund
For the Year Ended June 30, 2006

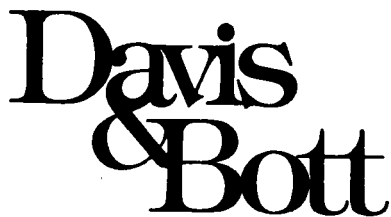
	Original Budget	Final Budget	Actual	Variance
Revenues:				
Taxes	\$173,100	\$ 165,600	\$184,066	\$ 18,466
Licenses and permits	10,500	58,750	48,434	(10,316)
Intergovernmental	40,700	83,051	58,858	(24,193)
Charges for services	29,350	-	16,136	16,136
Earnings on investments	1,200	1,200	2,136	936
Miscellaneous	<u>1,000</u>	<u>1,900</u>	<u>2,547</u>	<u>647</u>
Total revenues	<u>255,850</u>	<u>310,501</u>	<u>312,177</u>	<u>1,676</u>
Expenditures:				
General government	198,150	198,724	113,158	85,566
Public safety	41,850	94,350	83,786	10,564
Highways and public improvements	40,000	124,100	29,770	94,330
Parks and recreation	<u>6,375</u>	<u>7,125</u>	<u>3,466</u>	<u>3,659</u>
Total expenditures	<u>286,375</u>	<u>424,299</u>	<u>230,180</u>	<u>194,119</u>
Excess (deficiency) of revenues over expenditures	(30,525)	(113,798)	81,997	195,795
Other financing sources (uses):				
Transfers in	42,976	33,083	-	33,083
Transfers out	<u>-</u>	<u>24,000</u>	<u>(14,000)</u>	<u>(38,000)</u>
Total other financing sources (uses)	<u>42,976</u>	<u>57,083</u>	<u>(14,000)</u>	<u>(4,917)</u>
Net change in fund balances	12,451	(56,715)	67,997	190,878
Fund balance, beginning	<u>90,892</u>	<u>90,892</u>	<u>90,892</u>	<u>-</u>
Fund balance, ending	<u>\$103,343</u>	<u>\$ 34,177</u>	<u>\$158,889</u>	<u>\$190,878</u>

See Independent Auditors' Report

**Corinne City
Impact Fee Analysis (Unaudited)**

	<u>Water Fund</u>	<u>Sewer Fund</u>
Impact fees received (June 30):		
2002	\$ 20,034	\$ -
2003	2,862	2,022
2004	-	2,022
2005	2,862	2,022
2006	<u>14,310</u>	<u>10,109</u>
Total impact fees received	<u>40,068</u>	<u>16,175</u>
Qualifying projects (June 30):		
2002	-	-
2003	-	-
2004	-	-
2005	65,477	-
2006	<u>-</u>	<u>25,357</u>
Total qualifying projects	<u>65,477</u>	<u>25,357</u>
Balance of impact fees received in excess of qualifying projects at June 30, 2006	<u>\$ (25,409)</u>	<u>\$ (9,182)</u>

See Independent Auditors' Report



Certified Public Accountants, L.C.

547 South Main
P.O. Box 369
Brigham City, Utah 84302
435-723-5224

216 East Main
Tremonton, Utah 84337
435-257-5486

**REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Members of
the Corinne City Corporation Council
Corinne, Utah 84301

We have audited the financial statements of the governmental activities, the business-type activities and each major fund, and the aggregate remaining fund information of Corinne City Corporation, Utah, as of and for the year ended June 30, 2006, which collectively comprise the City of Corinne's basic financial statements and have issued our report thereon dated October 9, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Corinne City Corporation, Utah's, internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

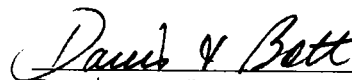
**REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS (Continued)**

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Corinne City Corporation, Utah, in a separate letter dated October 9, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Corinne City Corporation, Utah's, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Audit Standards*. However, we noted an immaterial instance of noncompliance or other matters that we have reported to the management of Corinne City Corporation, Utah, in a separate letter dated October 9, 2006.

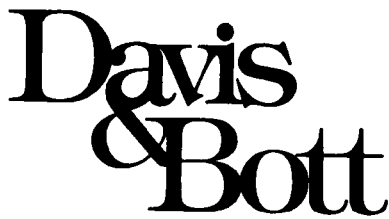
This report is intended solely for the information and use of management, the City Council, and the various state funding and auditing agencies and is not intended to be, and should not be used by, anyone other than these specified parties.



Davis & Bott

Certified Public Accountants, L.C.

October 9, 2006



Certified Public Accountants, L.C.

547 South Main
P.O. Box 369
Brigham City, Utah 84302
435-723-5224

216 East Main
Tremonton, Utah 84337
435-257-5486

AUDITORS' REPORT ON STATE OF UTAH LEGAL COMPLIANCE

The Honorable Mayor and Members of the
Corinne City Corporation Council
Corinne, Utah 84301

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund, and the aggregate remaining fund information of Corinne City Corporation, Utah, for the year ended June 30, 2006, and have issued our report thereon dated October 9, 2006. As part of our audit, we have audited the City of Corinne's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major assistance programs from the State of Utah:

- * B&C road funds (Department of Transportation)
- * Liquor law enforcement (State Tax Commission)

The City also did not receive any nonmajor grants during the June 30, 2006, audit period.

Our audit also included test work on the City's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

- * Public debt
- * Cash management
- * Purchasing requirements
- * Budgetary compliance
- * Truth in Taxation & Property Tax Limitations
- * Liquor law enforcement
- * B&C road funds
- * Other general compliance issues
- * Uniform Building Code standards
- * Impact fees and other development fees

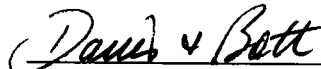
AUDITORS' REPORT ON STATE OF UTAH
LEGAL COMPLIANCE
(Continued)

The management of Corinne City Corporation is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying letter of recommendations. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Corinne, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.



Davis & Bott

Certified Public Accountants, L.C.

October 9, 2006

Davis & Bott

Certified Public Accountants, L.C.

547 South Main
P.O. Box 369
Brigham City, Utah 84302
435-723-5224

216 East Main
Tremonton, Utah 84337
435-257-5486

The Honorable Mayor and
Members of Corinne City Corporation
Corinne, UT 84307

We have audited the financial statements of Corinne, Utah, for the year ended June 30, 2006, and have issued our report thereon dated October 9, 2006. As part of our examination, we made a study and evaluation of the City's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the City's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of Corinne City is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures.

The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Corinne taken as a whole.

However, our study and evaluation disclosed the following reportable or agreed-upon conditions that we believe result in a relatively low risk that errors or irregularities in amounts that would be material in relation to the financial statements of Corinne may occur and not be detected within a timely period.

PRIOR YEAR RECOMMENDATIONS (as noted by prior year auditors)

1. CASH MANAGEMENT

Issue - The manner in which receipts records are kept does not allow for a test of compliance with funds being deposited within three days.

Recommendation - It was recommended the City establish a policy of depositing every three working days.

Response - The City will establish a policy of depositing every three working days.

Current Status - The City is now depositing every three working days.

2. TRACKING IMPACT FEE PROCEEDS AND EXPENDITURES

Issue - Corinne City has enacted impact fees. Proceeds from these fees need to be encumbered or expended within six years

Recommendation - It was recommended the City track the impact fees they are now collecting.

Response - The City will track impact fees.

Current Status - The City is tracking impact fees.

3. TRUTH IN TAXATION

Issue - Budgeted revenue for property taxes on Form TC-693 does not equal the adopted budget for the City. The City's budget for property taxes is \$50,000 and the TC-693 shows \$39,213.

Recommendation - It was recommended the City properly budget.

Response - We will follow these procedures

Current Status - The City did not keep a copy of the amended budget when they made changes before June 30, 2006.

4. GENERAL COMPLIANCE ISSUES

Issue - The City does not have a formal records retention policy.

Recommendation - It was recommended the City adopt and follow a formal records retention policy.

Response - The City will adopt a formal record retention policy.

Current Status - The Policy has not yet been prepared and adopted.

CURRENT YEAR RECOMMENDATIONS

1. PHYSICAL INVENTORY

Issue - The City has list of equipment but it is not all given to the City recorder. Also, land and buildings are not kept on the inventory.

Recommendation - We recommend the City adopt a formal policy of tracking physical inventory at least annually and include all land, buildings, equipment and utility components on that list.

Response - This recommendation will be implemented.

2. CAPITALIZATION POLICY

Issue - The City does not have a formal capitalization policy.

Recommendation - We recommend the City adopt a formal capitalization policy. Including what kind of assets will be capitalized and the amount needed to capitalize.

Response - This recommendation will be implemented.

3. SEGREGATION OF DUTIES

Issue - Corinne City has insufficient segregation of duties due to the small size of the entity.

Recommendation - We recommend the City look at the cost versus the benefit of improving the segregation of duties.

Response - Corinne City has a recorder and a treasurer. They try to segregate duties as much as possible between the two employees. The City feels the additional cost to completely segregate duties is not justified for the benefit they would receive. The City feels their current procedures are adequate to safeguard assets.

4. PURCHASING POLICY

Issue - The purchasing policy adopted by the City on February 1, 2005, addresses encumbrances, purchase orders and proper approval of documents. Currently, the encumbrance system is not being used, purchase orders are not being used and the sign off sheet filed with the check backup does not always have two signatures.

Recommendation - We recommend the purchasing policy be followed or amended to agree with what the City wants to have happen.

Response - This recommendation will be implemented.

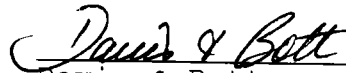
CONCLUSION

The matters discussed herein have been brought to the attention of responsible City personnel during the course of our examination. As a result, many of these recommendations are either being implemented or are under consideration at the time of issuance of this letter.

We wish to take this opportunity to express our thanks and appreciation for the courtesy and assistance extended to us by your personnel during our audit work.

Corinne City Corporation
Letter of Recommendations
Page Five

We welcome the opportunity to discuss further any points mentioned herein. We feel that proper implementation of these suggestions will improve internal controls and protect the City's assets.

A handwritten signature in cursive script, reading "Davis & Bott", is positioned above a horizontal line.

Davis & Bott
Certified Public Accountants, L.C.

October 9, 2006
Brigham City, Utah